

106TH CONGRESS  
2D SESSION

# H. R. 5054

To amend the Internal Revenue Code of 1986 to exclude from gross income gain on the sale or exchange of qualified conservation easements.

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IN THE HOUSE OF REPRESENTATIVES

JULY 27, 2000

Mr. KLINK (for himself and Mr. HOEFFEL) introduced the following bill;  
which was referred to the Committee on Ways and Means

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## A BILL

To amend the Internal Revenue Code of 1986 to exclude from gross income gain on the sale or exchange of qualified conservation easements.

1 *Be it enacted by the Senate and House of Representa-*  
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as the “Farmland Protection  
5 and Sprawl Reduction Act of 2000”.

6 **SEC. 2. EXCLUSION OF GAIN FROM SALE OR EXCHANGE OF**  
7 **QUALIFIED CONSERVATION EASEMENTS.**

8 (a) GENERAL RULE.—Part III of subchapter B of  
9 chapter 1 of the Internal Revenue Code of 1986 (relating  
10 to items specifically excluded from gross income) is

1 amended by redesignating section 139 as section 139A  
 2 and by inserting after section 138 the following new sec-  
 3 tion:

4 **“SEC. 139. SALES AND EXCHANGES OF QUALIFIED CON-**  
 5 **SERVATION EASEMENTS.**

6 “(a) GENERAL RULE.—In the case of a taxpayer who  
 7 owns qualified real property, gross income does not include  
 8 gain from the sale or exchange of a qualified conservation  
 9 easement in such real property.

10 “(b) DEFINITIONS.—For purposes of this section—

11 “(1) QUALIFIED CONSERVATION EASEMENT.—

12 The term ‘qualified conservation easement’ means a  
 13 restriction (granted in perpetuity) on the use which  
 14 may be made of qualified real property which does  
 15 not permit any use of such property for any purpose  
 16 other than use exclusively for a conservation pur-  
 17 pose.

18 “(2) QUALIFIED REAL PROPERTY.—The term  
 19 ‘qualified real property’ means any real property—

20 “(A) which is located in the United States,  
 21 and

22 “(B) which is used exclusively for con-  
 23 servation purposes.

24 “(3) CONSERVATION PURPOSE.—The term ‘con-  
 25 servation purpose’ has the meaning given to such

1 term by section 170(h)(4)(A), other than clause (iv)  
 2 thereof. Such term shall include use for purposes of  
 3 a farming business (as defined in section  
 4 263A(e)(4)).

5 “(c) VERIFICATION OF EASEMENT.—Subsection (a)  
 6 shall not apply by reason of any qualified conservation  
 7 easement unless the taxpayer—

8 “(1) notifies the Secretary in such form and  
 9 manner as the Secretary may by regulations pre-  
 10 scribe, and

11 “(2) submits to the Secretary a copy of such  
 12 easement.

13 “(d) BASIS ADJUSTMENT.—No adjustment shall be  
 14 made in the basis of real property by reason of the exclu-  
 15 sion from gross income under subsection (a) of gain from  
 16 the sale or exchange of a qualified conservation easement  
 17 in such property.”.

18 (b) CLERICAL AMENDMENT.—The table of sections  
 19 for such part is amended by striking the last item and  
 20 inserting the following new items:

“Sec. 139. Sales and exchanges of qualified conservation ease-  
 ments.

“Sec. 139A. Cross references to other Acts.”.

21 (c) EFFECTIVE DATE.—The amendments made by  
 22 this section shall apply to restrictions first recorded after

- 1 December 31, 2000, and to sales and exchanges after such
- 2 date.

